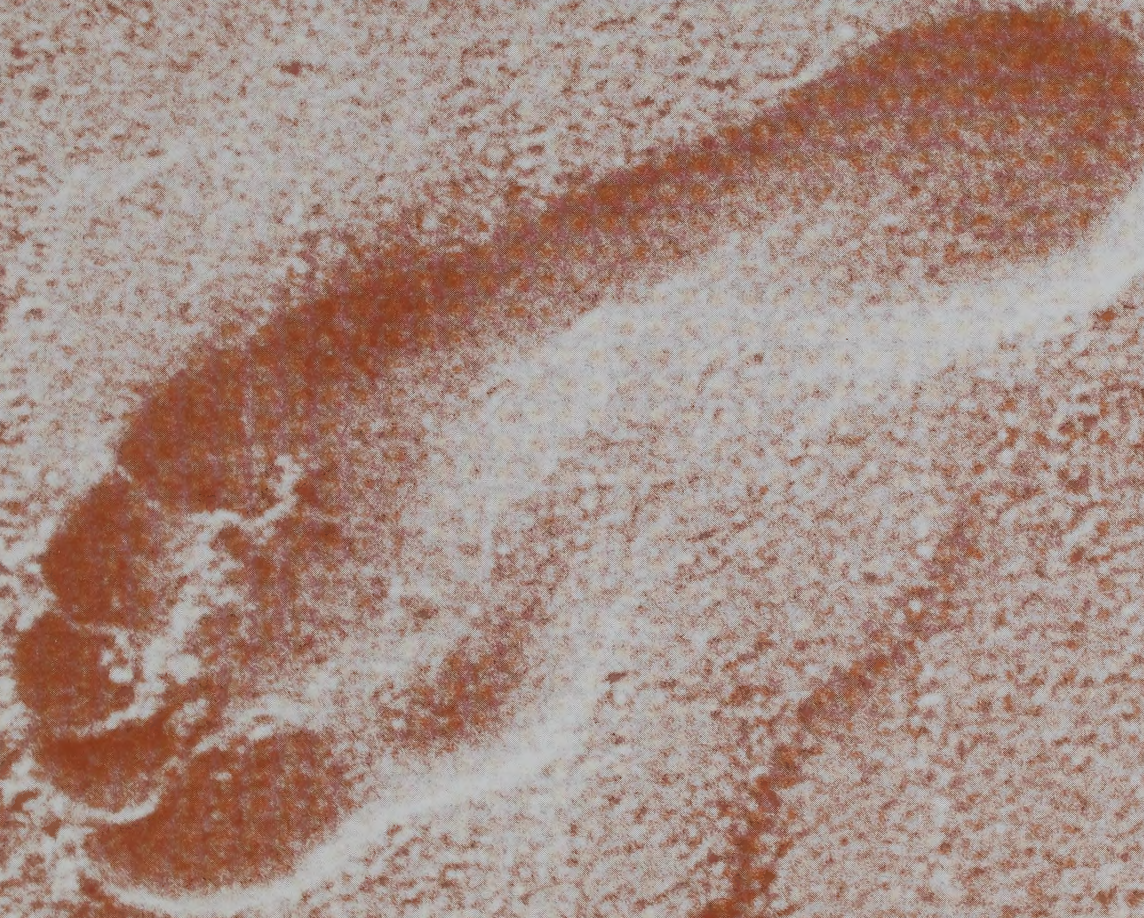


CLEARPORT PETROLEUMS LTD.

AR05



1983
ANNUAL REPORT

OPERATIONS

ALBERTA

Swan Hills

Ross Haven

West Pembina

Edmonton

Drumheller

Calgary

Atlee Buffalo

Pendant D'Oreille

■ TOWNSHIPS IN WHICH CLEARPORT
PETROLEUMS HOLDS INTERESTS

24 0 24 48 MILES



(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA)

Notice of Annual General Meeting of Shareholders

OCT 21 1983

November 4, 1983

Francis G. Winspear Collection
Faculty of Business
University of Alberta

To: The Shareholders of
Clearport Petroleums Ltd.

NOTICE is hereby given that the Annual General Meeting of Shareholders of Clearport Petroleums Ltd. (hereinafter called "the Company") will be held at the offices of the Company at 522, 550 - 6th Avenue S.W., in the City of Calgary, Province of Alberta, on Friday, the 4th day of November, 1983 A.D., at 10:00 o'clock a.m. (Mountain Standard Time), for the following purposes:

1. To receive and consider the Report of the Directors, the financial statement of the Company to June 30, 1983 and the auditors' report thereon.
2. To elect directors of the Company for the ensuing year and until their successors shall be duly elected and qualified.
3. To appoint Miller, McClelland & Co. as Auditors of the Company.
4. To hold annual meeting of Clearport Petroleums Inc., which is the United States wholly-owned subsidiary of Clearport Petroleums Ltd.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The share transfer books of the Company will not be closed, but in lieu thereof, the Board of Directors has fixed the close of business on the 30th day of September, 1983 as the record date for the determination of shareholders who are entitled to notice of and to vote either in person or by proxy at the Annual General Meeting or at any adjournment or adjournments thereof.

Shareholders who do not expect to attend the Meeting in person are urged to fill in, sign, date and return the enclosed Proxy in the enclosed envelope. The Proxy must be deposited at the office of Guaranty Trust Company of Canada, 401 - 9th Avenue South West, Calgary, Alberta, not less than 48 hours before the time for holding the meeting.

DATED at Calgary, Alberta, Canada, this 18th day of October, A.D. 1983.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Ross,
President

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA)

Annual General Meeting of Shareholders

November 4, 1983

PROXY STATEMENT AND INFORMATION CIRCULAR

Management of Clearport Petroleums Ltd. (the "Company") solicits the enclosed Proxy for use at the 1983 Annual General Meeting of Shareholders of the Company to be held at the offices of the Company at 522, 550 - 6th Avenue S.W., in the City of Calgary, Province of Alberta, Canada, at 10:00 o'clock a.m. (Mountain Standard Time) on November 4th, 1983 and at any adjournments thereof for the purposes set forth in the Proxy. Shareholders may revoke their proxy at any time prior to the exercise thereof. A proxy, when executed and not so revoked, will be voted in accordance with the instructions thereon.

Solicitation of proxies will be primarily by mail but may also be by telephone, telegraph or oral communications by the directors, officers and regular employees of the Company, at no additional compensation. The cost of soliciting proxies will be borne by the Company.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Holders of the Company's common shares of record at the close of business on September 30, 1983 will be entitled to notice of and to vote one vote per share on all matters placed

before the Meeting. Two or more shareholders personally present who were shareholders as at September 30, 1983 will constitute a quorum. Shareholders are not entitled to cumulate their votes in the election of directors. On September 29, 1983 there were 1,888,103 shares of the Company's common shares without nominal or par value outstanding. To the knowledge of the directors and senior officers of the Company, Robert M. Ross is the only person or company which beneficially owns, directly or indirectly, common shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Robert M. Ross owns of record and beneficially 835,846 shares of the Company which constitutes 44.22% of the outstanding shares of the Company.

ELECTION OF DIRECTORS

At this Meeting three (3) directors are to be elected, each director to hold office until the Annual General Meeting of Shareholders of the Company in 1984 or until his successor has been elected and qualified. It is intended that votes will be cast pursuant to the proxies for the election of the following nominees as directors, all of whom are presently directors of the Company. Two of the present directors have been directors since the incorporation of the Company on March 8, 1972 and one has been a director since June 18, 1982.

Name and Address	Positions Presently Held	Principal Occupations During Preceding Five (5) Years	Number of Common Shares Beneficially Owned as of Sept. 30, 1983
Robert Morris Ross, 4511 - 14A Street S.W. Calgary, Alberta	Director & President	President, Stikine River Mines Ltd., 1965-69; President Clearport Holdings, 1961-83; Director, Ace Explosives Limited, 1967-78.	835,846
Harold Lawrence Farney, 4239 Britannia Drive Calgary, Alberta	Director & Vice-President	President, Farney Exploration Ltd., merged with Tele-dyne 1965; President, Quinn-Farney Ltd., 1965-83; President, Ace Explosives Ltd. 1967-78.	90,408
Robert C. Ross, 4511 - 14A Street S.W. Calgary, Alberta	Director & Secretary-Treasurer	Geologist and Production Manager, Clearport Petroleum Ltd., 1983	42,600

REMUNERATION OF OFFICERS AND DIRECTORS

The aggregate remuneration paid to all directors and senior officers of the Company, as a group, including the five highest paid employees, during the Company's last completed financial year by the Company and its subsidiaries whose financial statements are consolidated with those of the Company is set forth as follows:

Aggregate Remuneration	Estimated Annual Benefits Upon Retirement	Options to Purchase Securities
107,357	NIL	NIL

APPOINTMENT OF AUDITORS

The Shareholders will be asked to vote for the appointment of Miller, McClelland & Co. as Auditors of the Company for the fiscal year ending June 30, 1984.

OTHER BUSINESS

Management knows of no other business which is likely to be brought before the meeting other than that which is set forth in items 1, 2, 3 and 4 of the notice thereof. If however, any other business should properly be presented to the meeting, the persons named in the accompanying form of Proxy will vote the Proxy in accordance with their best judgement on such matters and the Proxy confers such discretionary authority.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Ross,
President.

DATED this 18th day of October, 1983 A.D.
Calgary, Alberta, Canada

TO THE SHAREHOLDERS:

It has been a great misfortune that the governments have taken such a deliberate hand in dealing with the marketing and price structuring of petroleum products. Our company over a period of many years marketed gas to the United States at 10¢ per mmcf. The price of gas which had been set by the National Energy Board at \$4.94 U.S. per MCF has recently been reduced to \$4.44 U.S. per MCF. As can be seen this has increased the cost of natural gas to the point where importing countries have found it near impossible to purchase. The United States has carried out a large drilling program to expand domestic reserves drilling some 90,000-100,000 wells a year. Canada has done less than 10% of this. We have made our plight known to the provincial and federal governments and although nothing has been beneficially done to this time we are hoping that over the next 24 months political changes will be brought about that will once again stimulate the oil and gas economy where it so seriously affects the small Canadian public companies.



Testing Atlee Buffalo Discovery

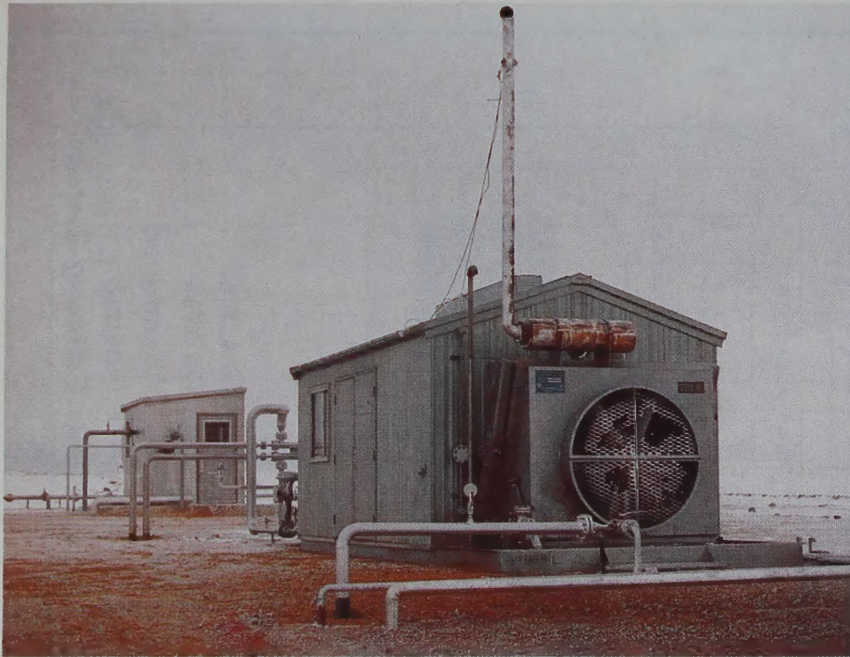


Production Equipment

Pembina Oil Well

Over the past six months we have reduced our debt by approximately \$400,000. We have increased our net revenue to where it is income rather than loss as expressed last year. Our production has been mainly from one well that we have been producing to an industrial market. Herein may we point out that we have interest in some 33 gas wells. This production is all tied into either Canadian-Montana Gas Company Limited, Northwestern Utilities Ltd. or Pan-Alberta Gas Ltd. In short we are ready to proceed as soon as the market will accept our product.

In the United States, as part of a consortium, the Kansas project has been placed on stream, a full gathering system installed with complete pipeline facilities. The outcome of our share of this product will be realized over the next year's operation.



Compressor Site — Drumheller Production

We have several interesting prospects on which to carry out offset drilling programs and we have been quite pleased with our success at Atlee Buffalo as described in the accompanying picture shown in this report. The Cardium well in Pembina, also pictorially described, should soon payout and Clearport placed in a working interest position (40%).

Our new acquisitions of Crown Leases in the Province of Alberta have been some of the most outstanding properties that we have had the good fortune to win. It is trusted over the next year that exploration drilling work can be carried out on these ventures.

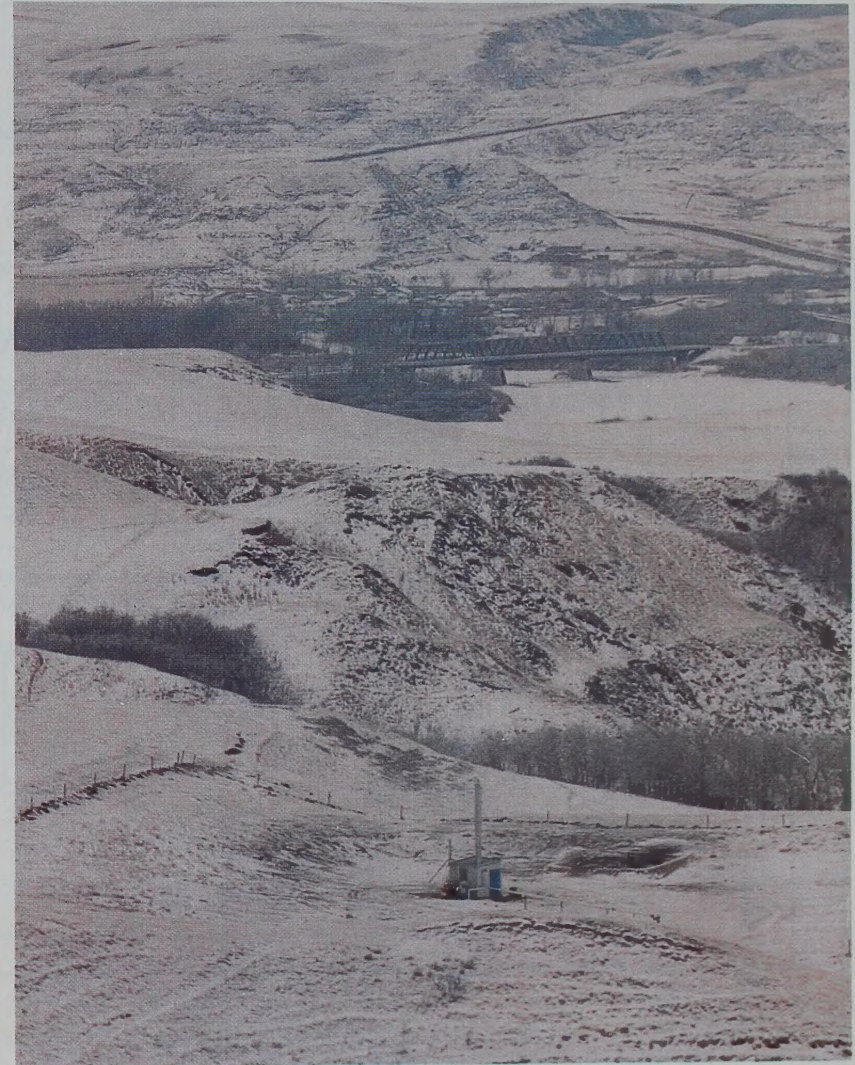
We were accepted for listing on the Vancouver Stock Exchange and are now trading under our symbol "CPR."

Some \$755,200 invested equity capital has been increased to a value based on reserves of \$77,858,000 using a 15% discount to \$18,153,000 or \$9.61 per share, or using a 20% discount to \$13,622,000 or \$7.21 per share.

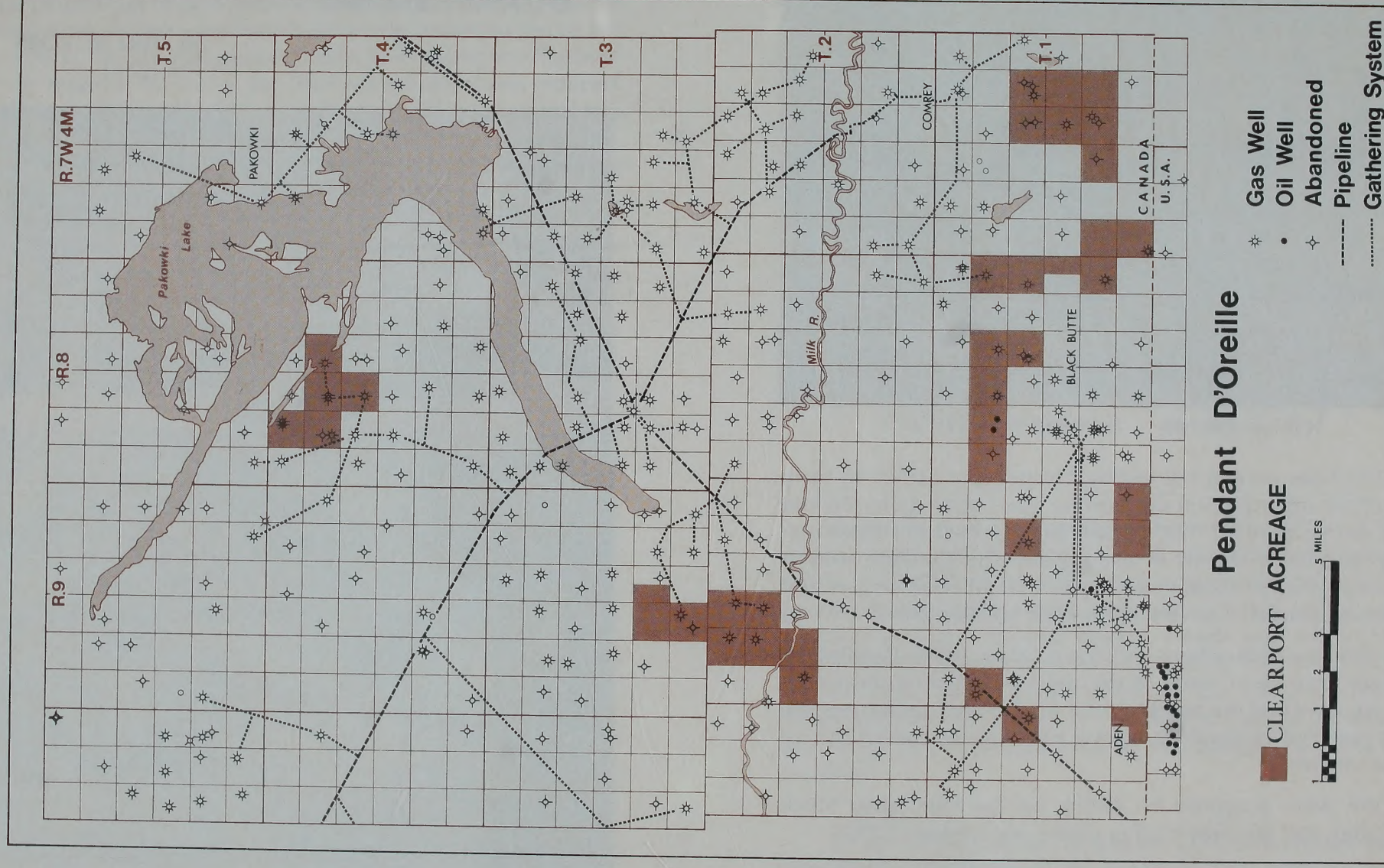
We hope the problems with governments and the political era that Canada has been passing through will be as temporary as a footprint in the sand.

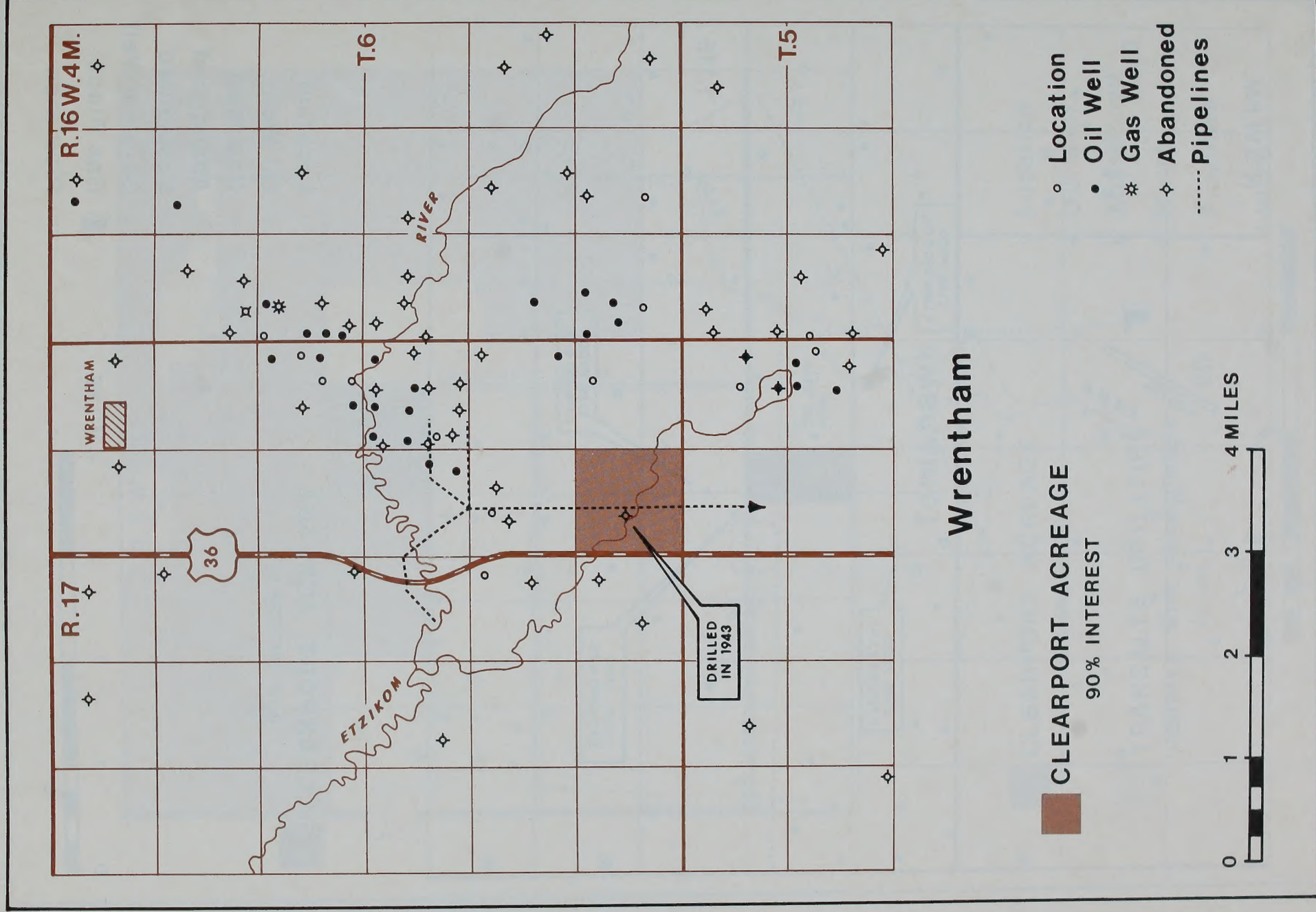
Respectfully submitted,

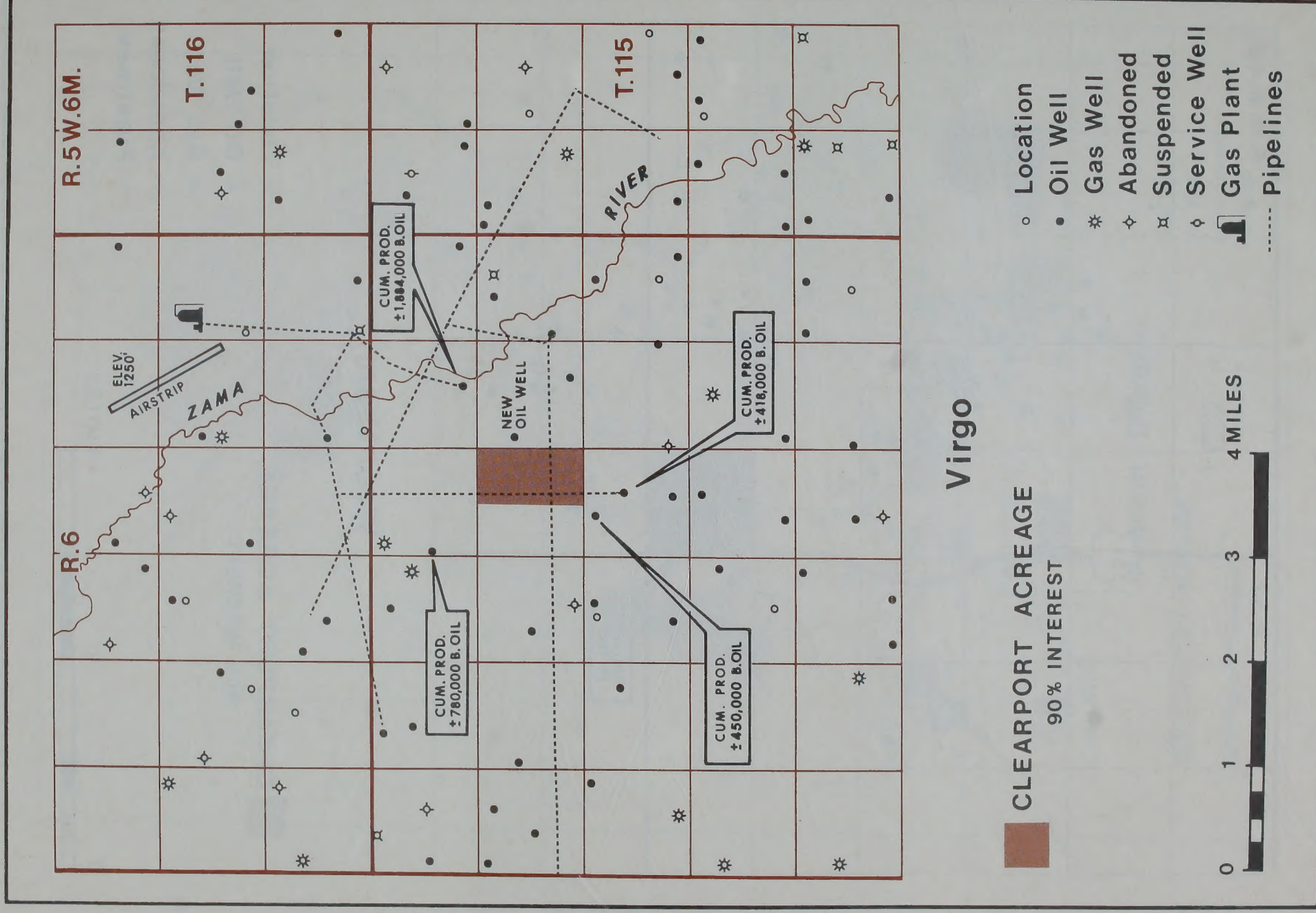
ROBERT M. ROSS
President

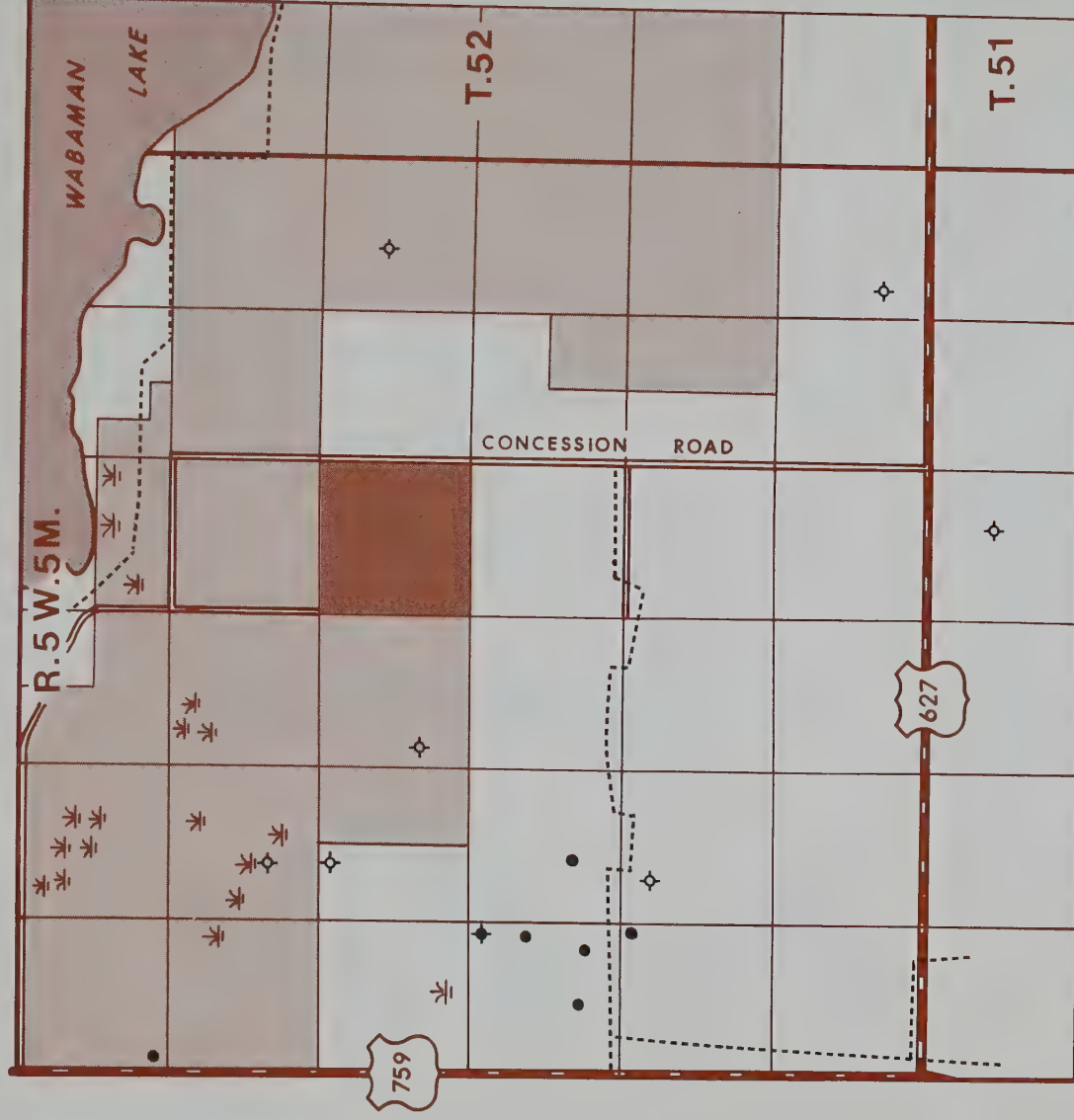


Gas Well Location 10 of 32-28-19 W4 Drumheller









Tomahawk

CLEARPORT ACREAGE

90% INTEREST

TRANSALTA UTILITIES

HIGHVALE MINE PERMIT AREA
(COAL)

○ Location

● Oil Well

⊕ Abandoned

* Marsh

----- Pipelines



OIL AND GAS WELLS

The following is a summary of the Company's interests in oil and gas wells:

ALBERTA	Gross Number of Wells	Percentage Interest	Status		Gross Number of Wells	Percentage Interest	Status
Aden	1	15.00	Shut-in gas	Lait	1	95.71	Shut-in gas
Atlee Buffalo	1	25.00	Shut-in gas		2	30.00	Producing gas
Black Butte	1	7.5	Producing oil	Manyberries	1	2.00	Shut-in gas
	1	2.25	Shut-in gas		1	25.00	Shut-in gas
	2	10.78	Shut-in gas	Pembina	1	40.00	Producing oil
	1	17.812	Shut-in gas	Pendant d'Oreille ...	3	25.00	Shut-in gas
	1	35.625	Shut-in gas		1	50.00	Shut-in gas
Bantry	2	2.00	Shut-in gas		1	62.50	Shut-in gas
Comrey	1	3.00	Shut-in gas		1	65.00	Shut-in gas
	1	6.00	Shut-in gas		2	25.00	Shut-in gas
	1	50.00	Shut-in gas		2	62.50	Shut-in gas
Drumheller	1	50.00	Shut-in gas		1	84.00	Shut-in gas
	1	17.39	Shut-in gas	Rosshaven	1	50.00	Shut-in gas
	1	12.50	Shut-in oil		1	50.00	Producing gas

A summary of the Company's net share of proved and probable additional reserves is shown below as well as the future net revenue, undiscounted and discounted at 15 and 20 percent including the Alberta royalty Tax Credit.

In addition, the value of the Company's undeveloped lands has been estimated at \$789,610.

COMPANY SHARE

	REMAINING NET GAS RESERVES		REMAINING NET OIL RESERVES		Undis-counted	CASH FLOW DISCOUNTED AT	
	E ³ m ³	(MMcf)	m ³	(Stb)	M \$	15%	20%
Proved — Producing	25 058	889	7891	49,478	5,716	2,888	2,451
Proved — Non-Producing	210 260	7,463	—	—	55,835	12,081	8,985
Proved — Undeveloped	31 752	1,127	—	—	7,904	1,580	1,070
Probable — Additional	39 527	1,403	—	—	8,403	1,604	1,116
TOTAL	306 597	10,882	7891	49,478	77,858	18,153	13,622

ACREAGE

The following table summarizes the working interests in petroleum and natural gas rights of the Company:

ALBERTA	GROSS AREA	NET COMPANY ACRES
Comrey	8,320	3,088
Black Butte	2,560	784
Aden Field	1,760	1,216
Lait	1,920	1,576
Knappen	160	40
Coutts	960	480
South Pendant d'Oreille	6,080	2,680
Manyberries	640	12.8
South Pakowki Lake	640	320
Pakowki Lake	3,200	1,673
Atlee Buffalo	960	480
Drumheller	1,760	880
Aerial	320	160
Michichi	160	160
Fenn Big Valley	800	800
Bonnie Glenn	160	8
Bittern Lake	640	320
Lloyd Lake	1,440	720
Pembina	3,040	2,080

ALBERTA (cont'd)	GROSS AREA	NET COMPANY ACRES
Rosshaven	1,244.4	622.2
West Swan Hills	640	320
Wrentham	640	576
Virgo	320	288
Tomahawk	640	576
TOTAL	39,004.4	19,860.00

MONTANA	GROSS AREA	NET COMPANY ACRES
TOTAL	3,606.51	3,606.51

KANSAS	GROSS AREA	NET COMPANY ACRES
Kingman County	11,055.97	10,840.99
Sedgwick County	9,349.98	9,349.98
Reno County	7,965.34	7,955.34
Harper County	5,042.91	5,042.91
Ness County	240.00	240.00
TOTAL	33,654.20	33,429.22
CLEARPORT'S 6.25% SHARE IN KANSAS	2,103.38	2,089.32

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

The financial statements, which consolidate the financial results of Clearport Petroleums Ltd. and its subsidiary have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. The objectivity and integrity of data in these financial statements, including estimates and judgements relating to matters not concluded by year-end, are the responsibility of management as is all other information included in the annual report unless otherwise indicated.

In management's opinion the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized. In meeting its responsibilities for the reliability of the financial statements, management maintains a system of internal accounting controls and administers a program of proper business conduct compliance.

Miller, McClelland & Co., the Company's independent chartered accountants, have been engaged to render an independent professional opinion on the accompanying financial statements. In order to complete their report, which is shown on the next page, they develop and maintain an understanding of the Company's systems and procedures and conduct an examination in accordance with generally accepted auditing standards.

The financial statements were reviewed and approved by the Board of Directors.

Calgary, Alberta
September 27, 1983

AUDITORS' REPORT

To the Shareholders of
Clearport Petroleum Ltd.

We have examined the consolidated balance sheet of Clearport Petroleum Ltd. at June 30, 1983 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the consolidated financial position of the Company as at June 30, 1983 and the consolidated results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
September 27, 1983

MILLER, McCLELLAND & CO.
Chartered Accountants

CLEARPORT PETROLEUMS LTD.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 1983
(with prior year's figures for comparison)

	<u>1983</u>	<u>1982</u>
REVENUE		
Production and administration	\$619,850	\$462,788
Less: Crown royalties	<u>103,430</u>	<u>106,584</u>
	516,420	356,204
Interest and other	<u>44,879</u>	<u>15,296</u>
	<u>561,299</u>	<u>371,500</u>
EXPENSES		
Administration	399,408	353,843
Depletion	34,710	64,082
Depreciation	30,747	30,553
Interest and bank charges	140,257	123,490
Lease and surface rentals	<u>5,009</u>	<u>2,845</u>
	<u>610,131</u>	<u>574,813</u>
Loss before income taxes	<u>(48,832)</u>	<u>(203,313)</u>
INCOME TAXES		
Deferred (recovery)	—	(41,900)
Royalty Tax Credit	<u>(77,572)</u>	<u>(56,869)</u>
	<u>77,572</u>	<u>98,769</u>
NET INCOME (LOSS) FOR THE YEAR	<u>\$ 28,740</u>	<u>\$(104,544)</u>

See accompanying notes

CLEARPORT PETROLEUMS LTD.

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED JUNE 30, 1983
(with prior year's figures for comparison)

	<u>1983</u>	<u>1982</u>
(Retained earnings), Deficit beginning of year		
As previously reported	\$122,918	\$ (8,047)
Prior year's adjustments (Notes 11 and 12)	<u>(35,979)</u>	<u>(9,558)</u>
As restated	86,939	(17,605)
Net (income) loss for the year	<u>(28,740)</u>	<u>104,544</u>
Deficit, end of year	<u>\$ 58,199</u>	<u>\$ 86,939</u>
Earnings (loss) per share before deferred taxes	1.52¢	(7.76)¢
Earnings (loss) per share after deferred taxes	1.52¢	(5.54)¢

See accompanying notes

CLEARPORT PETROLEUMS LTD.

(Incorporated Under the Laws of Alberta)

CONSOLIDATED BALANCE SHEET

AT JUNE 30, 1983

(with June 30, 1982 figures for comparison)

ASSETS

	<u>1983</u>	<u>1982</u>
CURRENT		
Cash	\$ 23	\$ 30
Accrued interest receivable	260	251
Accounts receivable (Notes 3 and 9)	448,514	293,749
Alberta royalty tax credit	26,326	47,335
Prepaid expenses	<u>4,730</u>	<u>3,010</u>
	<u>479,853</u>	<u>344,375</u>
 PROPERTY, PLANT AND EQUIPMENT		
(Notes 1 and 2)	1,644,454	1,676,511
 OTHER, at cost		
Incorporation costs	991	991
Drilling deposit	16,044	10,000
Investment	<u>—</u>	<u>5</u>
	<u>\$2,141,342</u>	<u>\$2,031,882</u>

APPROVED BY THE BOARD:

Director_____
Director

See accompanying notes

CLEARPORT PETROLEUMS LTD.

(Incorporated Under the Laws of Alberta)

CONSOLIDATED BALANCE SHEET

AT JUNE 30, 1983

(with June 30, 1982 figures for comparison)

LIABILITIES

	<u>1983</u>	<u>1982</u>
CURRENT		
Bank indebtedness (Note 3)	\$ 763,089	\$ 922,938
Accounts payable (Note 9)	<u>418,919</u>	<u>178,350</u>
	1,182,008	1,101,288
DEFERRED INCOME TAXES (Note 1)	<u>17,100</u>	<u>17,100</u>
	<u>1,199,108</u>	<u>1,118,388</u>
SHARE CAPITAL		
Authorized		
5,000,000 shares with no par value, maximum consideration \$5,000,000 .		
Issued		
1,888,103 Shares	1,022,453	1,022,453
Less: Commission paid	<u>22,020</u>	<u>22,020</u>
	1,000,433	1,000,433
RETAINED EARNINGS (DEFICIT)	<u>(58,199)</u>	<u>(86,939)</u>
	<u>942,234</u>	<u>913,494</u>
	<u>\$2,141,342</u>	<u>\$2,031,882</u>

See accompanying notes

CLEARPORT PETROLEUMS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 1983
(with prior year's figures for comparison)

	<u>1983</u>	<u>1982</u>
SOURCE OF WORKING CAPITAL		
Net income (loss) for the year	\$ 28,740	\$(104,544)
Items not representing a change in working capital		
Depreciation and depletion	65,457	94,635
Deferred income taxes (recovery)	—	(41,900)
Loss on surrender of lease	<u>7,208</u>	<u>—</u>
Total working capital provided (to) from operations	101,405	(51,809)
Proceeds from redemption of shares	5	—
Government grants	<u>34,029</u>	<u>—</u>
	<u>135,439</u>	<u>(51,809)</u>
APPLICATION OF WORKING CAPITAL		
Additions to fixed assets		
Furniture and fixtures	2,600	—
Exploration and development costs	47,600	269,598
Acquisition of leases	6,021	29,742
Lease rentals of non-producing properties	18,416	17,336
Equipment	—	953
Hydrocarbon Dew Point Control	—	48,864
Increase in drilling deposits	<u>6,044</u>	<u>—</u>
	<u>80,681</u>	<u>366,493</u>
INCREASE (DECREASE) IN WORKING CAPITAL, FOR THE YEAR	54,758	(418,302)
Working Capital (deficiency), beginning of year	<u>(756,913)</u>	<u>(338,611)</u>
WORKING CAPITAL (DEFICIENCY), END OF YEAR	<u><u>\$(702,155)</u></u>	<u><u>\$(756,913)</u></u>

See accompanying notes

CLEARPORT PETROLEUMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1983

1. ACCOUNTING POLICIES

a) Consolidation —

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Clearport Petroleums Inc.

- b) The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on non-producing properties, cost of drilling both productive and non-productive wells and all technical and administrative overheads directly related to exploration and development activities. Accumulated costs are amortized by the unit of production method based upon estimated proven developed and undeveloped reserves, as determined by the Company and substantiated periodically by independent engineers.

c) Depreciation and Depletion —

The Company follows the practice of depleting and depreciating its assets according to the rates set out in Note 2. The depletion rate of 2.19% represents the percentage that production is of total proven reserves. All equipment, pipelines and furniture and fixtures are depreciated using the straight-line method.

d) Deferred Income Taxes —

The Company records income taxes on the tax allocation basis. Deferred income taxes result primarily from claiming capital cost and other allowances in excess of depreciation and depletion recorded in the accounts.

2. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the cost of property, plant and equipment and the related accumulated depreciation and depletion.

	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation and Depletion</u>	<u>Net Book Value</u>	
				<u>1983</u>	<u>1982</u>
Petroleum & Natural Gas Leases	2.19%	\$ 357,683	\$ 75,373	\$ 282,310	\$ 283,565
Exploration & Development	2.19%	1,287,187	279,838	1,007,349	1,024,299
Administration Costs	2.19%	49,786	25,605	24,181	25,079
Lease Rentals on					
Non-Productive Properties	2.19%	152,133	23,382	128,751	113,558
Wellhead Equipment	10.00%	26,006	10,857	15,149	17,684
Furniture & Fixtures	10.00%	12,725	8,659	4,066	2,738
Dehydrator	10.00%	32,825	10,395	22,430	25,713
Pipeline	10.00%	111,311	35,233	76,078	87,209
Hydrocarbon Dew Point Control	10.00%	105,808	26,856	78,952	89,533
Automotive Equipment	15.00%	<u>12,970</u>	<u>7,782</u>	<u>5,188</u>	<u>7,133</u>
		<u>\$2,148,434</u>	<u>\$503,980</u>	<u>\$1,644,454</u>	<u>\$1,676,511</u>

3. BANK INDEBTEDNESS

Included in bank indebtedness is a bank loan totalling \$755,000 which is secured by a registered general assignment of book debts and an assignment of the proceeds of production and gas sales contracts.

4. DIRECTORS AND OFFICERS

As at June 30, 1983 the Company had three directors and two officers, all of the officers also being directors of the Company.

The remuneration of the officers amounted to \$107,357 for the year ended June 30, 1983.

5. BUSINESS INVESTMENT TAX CREDITS

At June 30, 1983 the Company had accumulated \$15,606 in business investment tax credits which are available to reduce federal income taxes payable in future years until:

1985	\$10,694
1986	<u>4,912</u>
	<u>\$15,606</u>

6. RELATED PARTY TRANSACTIONS

Related party interests held in properties owned by the Company are as follows:

<u>PROPERTY</u>	<u>CLEARPORT HOLDINGS LTD.</u>	<u>R. M. ROSS</u>
Producing Wells		
6-23-1-9 W4th	50%	—
10-3-1-9 W4th	—	10% to payout, reverting to 5%
11-30-1-9 W4th	—	5%
6-18-1-9 W4th	—	10%
Non-Producing Properties		
S.W. ¼-9-49-9 W5th	5%	—
S.W. ¼-15-50-9 W5th	5%	—
Sec. 6-4-6 W4th	10%	—

In addition, the Company leases furniture from Clearport Holdings Ltd.

7. EXPLORATION COMMITMENTS

Under an agreement dated April 30, 1981 the Company is committed to expend \$250,000 (U.S.), plus 7% administrative fees in a Kansas Joint Venture. To June 30, 1983, \$188,780 (Canadian), had been expended.

8. STOCK OPTION

Under an agreement dated December 18, 1981, R. M. Ross was granted an option to purchase additional shares of the Company as follows:

- 50,000 shares at \$1.50 per share.
- 50,000 shares at \$1.75 per share.
- 100,000 shares at \$2.00 per share.

This option agreement has been approved by the Alberta Stock Exchange and expires October 30, 1986. To date, no part of the option has been exercised.

9. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Included in accounts receivable are \$59,046 of accounts pertaining to wells 10-8 and 14-8-55-3 W5th. Offsetting this amount are \$195,617 included in accounts payable pertaining to the same wells. Of the \$136,571 net balance owed by the Company at June 30, 1983, an undeterminable portion is under dispute, the payment of which will depend on the disposition of a lawsuit currently in progress.

10. CONTINGENCY

These financial statements have been prepared on the basis of a going concern. The Company is dependent on its ability to sell oil and gas products and in the event that these sales are not forthcoming, the realization of its assets would be dependent on the market conditions at that time.

11. PRIOR PERIOD ADJUSTMENTS

As a result of income tax reassessments, claims for gas cost allowances and re-calculation of petroleum taxes and deferred taxes, the deficit at June 30, 1982 previously reported as \$122,918, has been restated to show a retroactive credit of \$35,979, representing the net amount by which the deficit has been reduced by virtue of the above adjustments. Of the \$35,979, \$26,421 is applicable to June 30, 1982 and has been credited to income for that year. The remaining \$9,558 is applicable to June 30, 1981 and has been charged to retained earnings at that date, previously reported as \$8,047.

The relevant comparative figures have been restated to account for the changes due to the above.

12. COMPARATIVE FIGURES

Certain of prior years' comparative figures have been reclassified to conform with current year's presentation.

OFFICERS and DIRECTORS

Robert M. Ross,
President & Director

Harold L. Farney
Vice-President & Director

Robert C. Ross
Secretary-Treasurer & Director

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